



Quality Perceptions of Private Label Brands Conceptual Framework and Agenda for Research

**Abhishek
Abraham Koshy**

W.P. No.2008-02-04
February 2008

The main objective of the working paper series of the IIMA is to help faculty members, research staff and doctoral students to speedily share their research findings with professional colleagues and test their research findings at the pre-publication stage. IIMA is committed to maintain academic freedom. The opinion(s), view(s) and conclusion(s) expressed in the working paper are those of the authors and not that of IIMA.



**INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD-380 015
INDIA**

Quality Perceptions of Private Label Brands Conceptual Framework and Agenda for Research

Abhishek¹
Abraham Koshy²

Abstract

Private Label brands had seen an impressive growth in past few decades. Though, initially private label brands had a low-priced strategy, retailers made efforts for serious quality improvements in recent years. However, they have continued to suffer from poor quality perceptions. Previous research dealing with quality perceptions of store brands did not adequately examine the ways to improve the quality perceptions of private label brands. The paper examines how retailers can influence the quality perceptions for private label brands by providing additional information cues to the customers. The nature of additional information cues may have differential impact on quality perceptions of private label brands vis-à-vis national brands. The paper proposes extrinsic high scope cues – in form of manufacturer's name and public quality label – to improve the quality perceptions of private label brands. Furthermore, the familiarity of the product may influence the quality perceptions, consequently influencing the purchase decision. The paper also proposes differential impact of information cues across different product categories on quality perceptions of private label brands.

¹ Doctoral Student, Indian Institute of Management, Ahmedabad (Email: abhishek@iimahd.ernet.in)

² Professor, Marketing Area, Indian Institute of Management, Ahmedabad (Email: akoshy@iimahd.ernet.in)

Introduction

Store brands or private label brands are brands owned, controlled, and sold exclusively by a retailer (Baltas, 1997). Private label brands which were first introduced over 100 years ago in few product categories, had seen an impressive growth in past few decades (Tarzijan, 2004). Private labels proliferated in a number of product categories and garnered major market share as retailers perceived numerous benefits by their introduction. Apart from providing higher retail margins in comparison to national brands (Ashley, 1998), private labels added diversity to the product line in a retail category (Raju et al. 1995). Added benefits accrued to the retailer in terms of differentiating its offerings from competing retailers as well as having greater leverage with manufacturers of national brands.

Research on private label brands has been of substantial interest to the marketing managers and academicians. One stream of research in this area deals with the factors associated with private label brands adoption. Ever since R. M. Cunningham (1961) came up with his seminal article in which he addressed the issues of loyalty to brand or a particular store, researchers have tried to uncover stable person characteristics related to private label brands. A careful perusal of these studies suggests that one of the main objectives of these research papers were to specify variables so that market segment could be identified. The initial research work focused on consumer demographic variables and later focused on psychographic variables to identify attitudinal and behavioral factors.

The other major stream of research deals with the competition between private label brands and national label brands (also called manufacturers' brands). This stream of research has endeavored to identify that how either private label brands or national brands could differentiate from each other. Some of the initial articles on this stream of research appeared in mid 1960s and 1970s which identified quality, pricing, and advertising as main bases of competition. In a noteworthy article, Hoch and Banerji (1993) contested the common perception that a private label's primary attraction was the substantial price discount relative to the national brands, at which they were sold. They emphasized the role of quality in the private label purchase decision. They found evidence to support the notion that perceived quality was much more important than the level of price discount in

determining the private-label category share. At equal prices, consumers preferred the national brand to a private label (Narasimhan and Wilcox, 1998). This preference asymmetry was attributed to perceived quality differences between the national brand and private label (Hoch and Banerji, 1993) as well as differences in image-building advertising support. This type of support was not present for private label brands whose competitive position lied squarely on providing an acceptable level of quality at a price that was lower than that of national brands. Even as retailers made efforts for serious quality improvements in recent years (Baltas, 1997), the poor quality perception has continued with private label brands.

Focus of the Paper

Though some of the studies have compared quality perceptions of private label brands with national brands (Bellizzi et al. 1981, Omar 1994, Rosen 1984), there have been a few studies which examined the ways to improve the quality perceptions of private label brands. The paper examines how retailers can influence the quality perceptions for private label brands by providing additional information cues to the customers. The nature of additional information cues may have differential impact on quality perceptions of private label brands vis-à-vis national brands. This paper adds to the literature by examining how nature of additional information can influence the quality perceptions for private label brands. For this purpose, in this paper we propose a conceptual framework involving different types of information cues.

Furthermore, the familiarity of the product may influence the quality perceptions, which in turn influences the purchase decision. The paper also examines the impact of information cues across different product categories on quality perceptions of private label brands. While the previous studies have examined ways to improve the quality perceptions of fairly established private label brands, this study looks at these issues in context of India where private label brands are emerging in wake of growth of organized retail.

The paper starts with discussion on the importance of quality perceptions in purchase decisions pertaining to private label brands. It then summarizes the studies examining quality issues in private label brands and identifies the research gaps. Further, the paper provides details of different types of information cues which can be used by retailer for

influencing private label brands. Based on literature review on above mentioned topics, hypotheses are formulated. The paper then discusses the possibility to test the conceptual framework and concludes with limitations and areas of future interest.

Context

The increase in market share of private label brands has been attributed to growth of organized retail. In the United States, private label brands account for 20 percent of sales in super markets and mass merchandisers. The overall share of private label brands as a percentage of the total consumer packaged goods in North America and Western Europe is expected to grow from 20 percent in 2000 to almost 30 percent in 2010. For some countries in Western Europe like United Kingdom, Switzerland, and Germany where organized retail has consolidated presence, share of private labels is already more than 30 percent and it is expected to go even higher (Kumar and Steenkamp, 2007).

Growth of organized retail chain in India has also led to growth of private label brands in India. Indian economy has seen average growth rate of 6.8 percent since 1994, putting purchasing power in the hands of customer. Though initial growth of private label brands in India has been limited to certain categories like grocery and apparel, it is expected to expand into many other categories as well. The Central Statistical Organization estimated the economic growth of India for the last quarter of 2005-2006 to be 9.3 percent, marginally below 9.9 percent registered for China in the same period. For the same, given scope for high growth, management consultancy A. T. Kearney has placed India on top of its Global Retail Development Index in 2006. Currently, organized retail in India is estimated to have only 3 percent share. In the total retail market, it is expected to grow at 25-30 percent. Thus, with the growth of organized retail in India, the private label brands are also expected to grow as experienced in other developed countries. The growth of private label brands in India presents an interesting opportunity for the retailer to understand the motivations of consumers behind choice of private label brands.

Private Label Brands and Quality Perceptions

Initially, private label brands developed a low-priced strategy to compete with national brands. They aimed at attracting low-income consumers who were price-conscious. By making price as the cornerstone of strategy, the private label brands grew at the expense of some of the heavily advertised national brands and items (Stern, 1966). The experience

of the post-war years in USA saw decline of weak national brands, especially when these were not the top three of a product category in market share. Some weak brands even disappeared completely. Empirical evidence for popularity of low-priced strategy of private labels came from studies which indicated that the private label strength of brands varied with economic conditions. That is, share of private label brands increased when the economy was on downturn while when economy became stronger, it decreased. It was commonly believed that when the economy picked up, consumers returned to buying national brands (Corstjens and Lal 2000, Lamey et al. 2007). Quelch and Harding (1996) stated that in past 20 years, share of private-label market averaged 14 percent of US supermarket sales; however during 1981-1982 recession, it peaked at 17 percent of sales.

While retailers realized the importance of quality and made efforts for quality improvements, consumers perceived private label brands as having inferior quality. Before we examine the literature on quality perceptions for private label brands, we summarize some salient features of private label brands and also examine the concept of quality perceptions.

Features and Quality Perceptions of Private Label Brands

Kumar and Steenkamp (2007) have defined store brands to be any brand that is owned by the retailer or distributor and is sold only in its own outlets. Store brands are the only brand for which the retailer must take on all the responsibility – from development, sourcing, and warehousing to merchandising and marketing. Unlike decisions which the retailer takes about national brands which in large measure are driven by the manufacturers' actions, the retailer plays a more determinant role in the success or failure of its own label (Dhar and Hoch, 1997). Unlike the typical national brand where consumer demands result from response to the pull tactics of the manufacturer, store brands are typically push products. If the retailer decides to push the store brand, the consumers will respond depending on the underlying quality and other actions by the retailers as well as by the actions that national brands will coincidentally pursue. The retailer generally pushes the private label brands by in-store promotions and allocating greater shelf space for private label brands.

Previous research has demonstrated that an understanding of consumer perceptions of quality is necessary as the perceived quality can influence various outcomes such as

customer satisfaction, purchase intention, and customer value (Bitner, 1990). The widely-acknowledged importance of the construct has prompted the researchers to examine and understand the perceived quality of products. Consequently, as proposed by academicians and practitioners, a number of definitions of consumers' perceived quality of products exist in the literature. In all these definitions, the literature on "quality" has been increasingly emphasizing the notion of "perceived quality" because it is believed that it is the consumer who is the ultimate judge of quality (Carmen, 1990; Forker, 1991; Teas 1993). Herbig and O'Hara (cf. Bhuiyan, 1997) define perceived quality as the consumer's judgment about the product's conformance to specifications. Another definition proposed by Parasuraman, Zeithaml, and Berry (1988) stated that perceived quality is the consumer's evaluation about the product's superior value added capability. In yet another version of the definition, perceived quality was defined as the consumer's opinion about the product's overall excellence and superiority (Zeithaml, 1988). Although a comprehensive definition of perceived quality that incorporates divergent points of view does not exist, academicians agree to the view point that perceived quality is similar to an attitude (Gotlieb, Grewal & Brown, 1994; Parasuraman, Zeithaml & Berry, 1988). Perceived quality of private label brands has been taken as an overall concept (Richardson et al. 1994; Sprott and Shimp, 2004), and the same has been used in this research.

Importance of Quality Perceptions in Private Label Brands

The most obvious benefit to consumers afforded by private label brands has been lower prices. The price differential between national and private label brands exerts an important positive influence on store brand performance (Dhar and Hoch, 1997). Szymanski and Busch (1987) found that heavy private label users had lower incomes and preferred lower priced products. The traditional value for money approach had the advantage that it avoided direct competition with the national brand (Baltas, 1997). The consumer benefited, as the availability of a low-price product increased alternative choices.

Manufacturers of national brands had the realization that it would be almost impossible to beat private labels' prices on a regular basis and therefore competitive advantage for national brands relied on superior quality and highly differentiated images via advertising, product innovation, creative and esthetically pleasing design (Baltas and Doyle, 1998).

Hoch and Banerji (1993) stated that advertising can safeguard against private label success. They emphasized that the traditional formula for building brands – to solve a consumer problem with a high-quality product and communicate it through advertising – has not lost relevance in creating differentiation and insulating manufacturers' from price competition. Dhar and Hoch (1997) proposed that private labels can be crowded out of the market when national brand competition is high and when brands invest advertising resources into the customer franchise.

In order to take on the challenge of national brands, retailers have made serious attempts at quality improvements (Baltas, 1997). Literature suggests a number of reasons for retailers to focus on quality of private label brands instead of price. A survey of retailers that carried store brands concluded that retailers must develop high-quality store brands, not just low-priced brands. Without a combination of low price and high quality, store brands could not become successful (Corstjens and Lal, 2000). Secondly, the low price image of private label brands was countered by stores through everyday low price (EDLP) strategy. EDLP made the normal price difference between the national brands and private labels more apparent and facilitated parity comparison. Also, EDLP positioning benefited the store brand only in lower price categories. Burton et al. (cf. Shannon and Mandhachitara, 2005) pointed out that danger for a retailer using low prices alone with which to compete is that some consumers may use price as a proxy for quality. Customers with specific requirements from the category, high involvement and strong preferences toward specific brands were still attached to national brands (Baltas, 1997). Moreover, as pointed out by Ailawadi et al. (2001), the average store brand sold for approximately 30 percent less than national brands which could be countered by national brand promotions typically delivering discounts of 20-30 percent. Thus, the common emphasis on delivering value suggested that if the store brands could provide quality products, then consumers may not consider promotions of national brands as these promotions may be bounded by spatial and temporal constraints.

Retailers, by and large, do not stock private labels in only one particular category, but provide a number of private label brands in their assortment to consumers. Overall retail store strategy in terms of commitment to quality not only enhances the retailer's store brand performance in all categories but also influences customers' choice of store as preferred destination (Dhar and Hoch, 1997). Store loyalty improvement could be

attributed to facilitation in shopping by enabling customers to buy a single brand across a wide range of product categories (Ailawadi and Keller, 2004). Corstjens and Lal (2000) who divided customers into two segments wherein the quality segment derived greater utility from perceived quality and price segment was driven by lower prices. They proposed that retailers could improve their profitability by introducing a store brand in the quality-conscious segment because of presence of inertia in brand switching. Quality-conscious customers, who could be characterized by this inertia, preferred to buy the same brand they bought on the previous purchase occasion, even though they might perceive other brands to provide the same price/quality benefits. This happened because of their psychological commitment to prior choices and their desire to minimize their cost of thinking and/or loss aversion. Thus, when store brands are store specific and consumers exhibit a varying degree of inertia in brand switching, quality store brands make it costly for the consumers to switch stores and lead to greater retailer loyalty.

As a result, the distinct gap in the level of quality between private label and national brands has narrowed; private labels' quality levels are much higher than ever before and they are more consistent, especially in categories historically characterized by limited product innovation (Quelch and Harding, 1996). The retailers have also been introducing store brands whose quality matches or even exceed that of national brand products. The product may be sold at a slightly lower price or in some cases, even at higher prices (Dunne and Narasimhan, 1999). This reflects the serious quality improvements made by retailers in recent years to take on the national brand challenge (Baltas, 1997).

Quality Perceptions for Private Label Brands – Literature Review

Marketing scholars have examined differences of quality perceptions for national and private label brands. Initial study done by Bellizzi et al. (1981) gathered perceptions of national, private label and generic brands through a series of Likert-type scales. Respondents showed significant perceptual differences for the three types of brands and consistently rated private label brands below the national brands on attributes related to quality, appearance, and attractiveness. Similarly, Cunningham et al. (1982) observed that consumers rate national brands as superior to private label and generic brands in terms of taste, appearance, labeling, and variety of choice. Rosen (1984) conducted a telephone survey of 195 households and obtained ratings for generic, private label, and national brand grocery products on three quality perceptions: overall quality, quality consistency

over repeat purchases, and quality similarity across stores. Data gathered across nine product categories showed that private label brands had lower scores in comparison to national brands for overall quality as well as quality consistency over repeat purchases. Omar (1994) conducted similar test of quality for private label and national brands across three product categories. The results showed that consumers did not perceive any difference among the brands during a blind taste test but revealed taste test indicated that shoppers assigned superior ratings to national brands. Thus, private label offers were rated much lower in revealed taste test than in blind taste test.

Invariably, all these studies indicated that private label brands suffer from low quality image when compared with national brands despite improvements made in the quality. This spawned efforts by academicians and practitioners to examine the ways to improve the quality perceptions of private label brands.

One of the ways suggested to improve quality perceptions of private label brands was through use of feature differentiation. Feature differentiation refers to the degree to which products have different forms, sizes, or packaging (Choi and Coughlan, 2006). Different brands in a category may exhibit little feature differentiation, or more significant differentiation. For a feature differentiation, a consumer's ideal point is finite i.e. more is not always "better", and can include characteristics where variety is valued by the consumer (Choi and Coughlan, 2006). When products are differentiated through feature differences, literature recommends both minimum differentiation as well as maximum differentiation. Schmalensee (cf. Sayman et al. 2002) noted that store brands often imitate the category leader, presumably to signal comparable quality at a lower price. Sayman et al. (2002) proposed that a private label brand should be positioned near stronger of two strong brands which are maximally feature differentiated. Choi and Coughlan (2006) pointed out that when national brands are differentiated, a high quality private label should position closer to a stronger national brand, and a low quality private label should position closer to a weaker national brands. However, empirical study revealed that even though a store brand is made to look like a national brand (i.e. minimal feature differentiation), an imitation may not have much impact on quality perceptions (Sayman et al. 2002).

Free-samples is seen to represent a relatively low cost means of enhancing perceived quality and store brand equity, converting consumers to store brands and increasing goodwill (Heiman et al. 2001). Baltas (1997), based on his research, recommended that the influence of familiarity on choice stresses the importance of marketing activities such as trial packs, free samples etc, so that customers get to know better the store brands. Sprott and Shimp (2004) found that sampling enhanced quality perception of a store brand when the brand was of a high quality. The study also revealed that perceived quality of store brand was rated high when participants tried these brands prior to judging their quality. The usefulness of sampling for enhancing perceived quality was supported by cue utilization theory which explained how consumers arrived at quality judgments (Sprott and Shimp, 2004). Utilization of free samples enables consumers to evaluate products based on intrinsic cues (i.e. product attributes which when changed will result in composition of product itself, e.g. ingredients) rather than relying on extrinsic cues (i.e. product attributes that can be changed without affecting the composition of the product itself, e.g. price, brand name) (Blair and Innis, 1996). However, Richardson et al. (1994) found that consumer's evaluation of store brands is primarily driven by extrinsic cues that these products display rather than intrinsic characteristics. Literature also points out other problems with free samples such as changes can not be registered after one treatment alone (Lee and Cunningham, 1984); is generally associated with new product introductions and induces small purchases (Lammers, 1991); is a waste of resources if not offered in right quantity and to right target market (Jain et al. 1995) and may induce cannibalization effect i.e. may reduce the number of paid trial purchases (Bawa and Shoemaker, 2004).

The third option available to retailers is to increase advertising budgets. This is in line with evidence that consumer's perception of quality is directly affected by consumer's perception of a brand's advertising expenditure (Kirmani 1990; Kirmani and Wright 1989). However, increased advertising would have the effect of increasing a retailer's cost structure, which would reduce contribution margin. In case store brands' prices are increased proportionately, then the national brand and store brand price differential will be very low, thus virtually negating the reasons for offering store brands (Sprott and Shimp, 2004). In fact, lower advertising and promotion cost contribute to lower supply price for store brands which is passed on to consumers. Thus, the store brands do not receive any advertising support other than corporate advertisements that communicates

and promotes general benefits associated with the retailer (Baltas, 1997). However, Narasimhan and Wilcox (1998) stated that private labels, not supported by consumer advertising by the manufacturers of these products can be supported by in-store merchandising by the retailers. In-store merchandising provides extrinsic cues to the customer for quality decisions. Richardson et al. (1994) also suggested that consumer's evaluation of store brands is primarily driven by extrinsic cues. Richardson et al. (1996), in another experiment, recommended that right aesthetic impression serves as external cue for creating a halo around store's own branded goods.

Summing up the work done in improving the quality perceptions of private label brands, it can be stated that cue utilization theory has been used as a framework by the researchers for explanation. However, while extrinsic cues have emerged as the primary driver in quality perceptions for customers, this issue has not been adequately addressed. Firstly, different type of extrinsic cues in form of additional information cues may have differential impact on quality perceptions of private label brands vis-à-vis national brands. Furthermore, the familiarity of the product may influence the quality perceptions which in turn influence the purchase decisions. In line with this, the following research questions need to be examined further.

- What are the different types of external cues which are relevant for store brands?
- Will and to what extent product related extrinsic information cues will enhance the quality perceptions of private labels brands to make it comparable to national brands?
- Is the impact of extrinsic information cues on quality perceptions of private label brands the same or different across different product categories?

Present research

Cue Utilization Theory

Cue utilization theory provides an attractive framework to assess consumer perceptions of store brand quality (Richardson et al. 1994). This research also uses cue utilization theory to explain the consumers' perceptions of quality for different cues. According to this theory, product consists of an array of cues that serve as surrogate indicators of quality to shoppers (Cox, 1967). In many situations, consumers do not know the true quality of competing products (or brands) before making their purchase decisions. In such cases,

research suggests that consumers are likely to rely on simple heuristics, or cues, to assess product quality. The likelihood of using cues in assessing product quality is further enhanced when consumers do not have the time or the incentive to compare products thoroughly prior to purchase (Dawar and Parker, 1994).

The particular cues are evoked according to their predictive and confidence values (Richardson et al, 1994). The predictive value of a cue is the degree to which consumers associate a given cue with product quality (Cox, 1967). This is similar to diagnosticity of the cue which refers to the perceived reliability of a cue in discriminating between alternative categorization (Purohit and Srivastava, 2001). Thus, the more diagnostic the cue the higher the likelihood it will be used in assessment of product quality (Dick et al. 1990). The confidence value of a cue is the degree to which consumers have confidence in their ability to use and judge that cue accurately (Cox, 1967). Cues characterized by high predictive value and high confidence value assume the greatest weight in the quality assessment process (Richardson et al, 1994).

In literature, cues have been classified along two dimensions. In the first dimension, cues can be classified as extrinsic or intrinsic to the products. Intrinsic cues are product-related attributes which when changed will result in changes in composition of product itself, e.g. ingredients (Blair and Innis, 1996). These can not be manipulated without also altering the physical properties of the product. Extrinsic cues are product attributes which are not part of the physical product and they can be changed without affecting the composition of the product itself, e.g. price, brand name (Blair and Innis, 1996). While the extrinsic cues have high confidence value, intrinsic cues are high on predictive value.

In the second dimension, Purohit and Srivastava (2001) have classified the cues into high scope cues and low scope cues. High scope cues have evolved over time such that their valence can not be changed instantaneously. Given that the valence of high-scope cues are established over time and can not be changed easily, high-scope cues are perceived to be more credible and are likely to have high predictive value (Purohit and Srivastava, 2001). On the other hand, low scope cues are transient and their valence can be changed. Consequently, they will have lower predictive value while using them for evaluating product quality.

The two different categorizations of cues can be combined in 2X2 matrix to give rise to the following classification schema.

Figure 1: 2X2 Categorization of Cues

	High-Scope	Low-Scope
Extrinsic	Extrinsic High Scope Cues	Extrinsic Low Scope Cues
Intrinsic	Intrinsic High Scope Cues	Intrinsic Low Scope Cues

In the framework, it is proposed that extrinsic high scope cues should be employed by retailers to improve the quality perceptions of private label brands. Extrinsic cues are more easily recognized, integrated, and interpreted and thus are likely to have higher confidence value (Richardson et al. 1994). Similarly high scope cues are perceived to be more credible (Purohit and Srivastava, 2001), and are likely to have high predictive value. Thus using an extrinsic high scope value will give high predictive value and high confidence value, henceforth substantially improving the quality perceptions of store brands.

Research Hypotheses

Though research suggested that customers tend to use both extrinsic and intrinsic cues simultaneously while evaluating product quality (Jacoby et al. 1971; Simonson, 1989) and extrinsic cues are extensively utilized when the quality is not readily observable until after actual consumption (Nelson 1970; Richardson et al. 1994). A review of literature suggests that there have been a number of studies which examined extrinsic cue manipulations. These include price (Rao and Monroe, 1989; Wolinsky 1983), advertising (Kihlstrom and Riordan, 1984; Kirmani, 1990), store name (Chu and Chu, 1994; Grewal et al. 1998; Rao and Monroe, 1989), manufacturer's name (Purohit and Srivastava, 2001), store aesthetics (Richardson et al. 1996), warranties or guarantees (Boulding and Kirmani, 1993; Purohit and Srivastava, 2001; Shimp and Bearden, 1982), and brand name (Dodds et al. 1991; Maheswaran et al. 1992; Rao and Monroe, 1989; Richardson et al. 1994).

Though there have been a number of studies examining extrinsic cues, only two studies (Richardson et al. 1994; Richardson et al. 1996) have looked at effect of two extrinsic cues; namely, store name/brand name and store aesthetics respectively on store brand quality perceptions. The study proposes to look into other extrinsic cues in Indian context. However, with the basic premises that private label brands always tend to be priced lower than national brands, price can not be used as a control for improving quality perceptions of private label brands. Similarly, with advertising not being employed for store brands, the choice of extrinsic cues gets limited to “manufacturer’s name” and “warrantees or guarantees”. Among these two extrinsic cues, only manufacturer’s name qualifies as high scope cues as warrantees or guarantees are low scope cues (Purohit and Srivastava, 2001).

Thus, we have manufacturers’ name as extrinsic high scope cues for packaged store brands. It is proposed to add public quality labels as another extrinsic high scope cues which can be studied for its influence in improving quality perceptions of store brands. Thus, this study examines two extrinsic high scope cues – manufacturer’s name and public quality label for its role in improvement of quality perceptions of store brands.

Manufacturer’s name

Most private label brands are not directly produced by the retailer. Private label production stems from national brand manufacturers as well as from manufacturers who specialize in supplying private label products. Initially, manufacturers of national brands started to produce private label products for retailers in order to achieve scale economics in production and distribution, utilization of excess capacity, sales increases without marketing cost, as well as price discrimination due to image differentiation between national brand and private label products (Baltas, 1997). However, originally private labels were only produced when capacity so facilitated. Also, manufacturers often feared that if consumers become cognizant that the manufacturer was supplying a private label product in the same category, the consumers would reject the national brands (Narasimhan and Wilcox, 1998), and opt for private label brands.

As retailers realized that many customers have the willingness and the cash to pay extra for higher quality, they wanted to capture a share of that spending. Thus, they started introducing store brand whose quality matched that of national brand products, while still selling for a slightly lower price (Dunne and Narasimhan, 1999). Because of requirement

to procure private labels of higher quality, retailers often looked beyond lowest-price manufacturers when they chose suppliers. They actively sought manufacturers of national brands who had demonstrated proven expertise in product development and sophisticated production processes. Manufacturers who were able to meet those requirements were offered supply agreements at much higher margins than they would be getting in case of normal private label products. Thus, despite the fear of private labels which competed head-to-head with their existing product, manufacturers of national brands used their existing idle capacity to manufacture private label products. Quelch and Harding (1996) stated that more than 50 percent of U.S. manufacturers of branded consumer packaged goods made private label goods as well. Purohit and Srivastava (2001) pointed out that manufacturer's name is the most important cue in assessing product quality. Therefore, manufacturer's name can be used as an important extrinsic cue in improving quality perceptions of private label brands.

Public Quality Label

Public quality labels are certifications of superior quality and are recognized by consumers as providing adequate quality levels. Public quality labels are owned by Government or independent bodies which allow the manufacturers to use them by ensuring that specifications are met for obtaining them e.g Agmark. The addition of public quality label to private label brands give rise to a situation in which a perceived low quality i.e. private label products exist with indicators of quality i.e. public quality labels (Hassan and Dilhan, 2006). In such scenarios, the predictive value and confidence value of public quality label is expected to enhance the quality perceptions of private label brands. Therefore, we can hypothesize

H1: Private label brands with extrinsic high scope cues will have similar perceptions of quality as that of national brands.

Product Familiarity

The quality perception for private label brands might differ across product categories due to different reasons. Given the stereotype of private labels as "risky" alternatives, familiarity is an important determinant of consumer choice (Baltas, 1997). Familiarity relates to product related experiences that have been accumulated by the consumer through product use and marketing activities. The frequency of shopping category has a

positive effect on familiarity. Frequent buyers may have greater shopping expertise and may rely less on simple heuristics when evaluating product quality. The private brand is targeted to such experienced consumers whose confidence may reduce perceived risk of category shopping (Baltas and Doyle, 1998). In such cases, frequent buyers and other consumers with high quantity requirements are more likely to shop an economical alternative which results in significant savings. However, lack of familiarity may also increase the importance of extrinsic cue effects. In such cases, the customer is likely to rely on wider range of external cues, especially where the typical store brand is weak. Thus, we can hypothesize that

H2: Extrinsic high scope cues in case of private label brands will be more effective in improving the quality perceptions for less familiar product when compared with familiar product.

Discussion

The proposed framework for research is an effort to examine the impact of extrinsic high scope cues on quality perceptions of private label brands. Studies involving information cues as well as quality perceptions of private label brands have been conducted using experiments (Omar, 1994; Purohit and Srivastava, 2001; Richardson et al. 1994; Richardson et al. 1996; Sprott and Shimp; 2004). It is proposed that these hypotheses can be tested using experiment set-up. However, a number of issues will have to be worked out for the experiment. Firstly, there is issue of choice of products in the familiar and less-familiar product categories. Previous experiments have been conducted using grocery products and a decision will have to be made for continuation with grocery products or to include non-grocery categories such as consumer durables, apparel category etc. Also, this decision will need to be reconciled with presence of private label brands for these product categories in India. Moreover, after making a decision on product categories, the two extrinsic high scope cues - manufacturer's name and public quality label - for these product categories would have to be determined. Further, manipulation tests will need to be undertaken to check whether the manipulations were actually noticed by the participants.

It is expected that the results will help the retailers to adopt of extrinsic high scope cues in form of manufacturer's name and public quality label for improving quality perceptions

of private label brands. This is going to be especially helpful in managing quality perceptions of less familiar product in case support is found for second hypothesis. Thus the research may provide inputs for managerial implications

Limitations and Areas of Future Research

It is expected that the research will be an improvement over previous research where almost similar product categories were used while testing quality perceptions of private label brands. However, it would be infeasible to generalize the results to all products and retailer categories. Another potential limitation may arise from the fact that the experiment did not occur under typical store conditions and therefore, though unlikely, one may argue that these results are not applicable to true-in-store decision making.

The research can be further extended to include non-product extrinsic high scope cues. These are cues which are not directly related with product quality, but may be used to improve quality perceptions of private label brands. Information cues associated with cause-related marketing may be utilized as non-product related extrinsic high-scope cues to improve the quality perceptions of private label brands. Moreover, this experiment has been set up under no time constraint. It may be worthwhile to observe the impact of extrinsic high scope cues under time constraint. This may become important as many a times shoppers do their purchases under time constraint and in such cases influence of extrinsic high scope cues should be examined.

References

- Ailawadi, K., & Keller, K. (2004). Understanding retail branding: Conceptual insights and research priorities. *Journal of Retailing*, 80(4), 331-342.
- Ailawadi, K., Neslin, S., & Gedenk, K. (2001). Pursuing the value-conscious consumer: Store brands versus national brand promotions. *Journal of Marketing*, 65(1), 71-89.
- Ashley, S. (1998). How to effectively compete against private-label brands. *Journal of Advertising Research*, 38(1), 75-82.
- Baltas, G., (1997). Determinants of store brand choice: A behavioral analysis, *Journal of Product and Brand Management*, 6(5), 315-324.
- Baltas, G., & Doyle P. (1998). An empirical analysis of private brand demand recognising heterogeneous preferences and choice dynamics. *The Journal of the Operational Research Society*, 49(8), 790-798.
- Bawa, K., & Shoemaker, R. (2004). The effects of free sample promotions on incremental brand sales. *Marketing Science*, 23(3), 345-363.
- Bellizzi, J., Krueckeberg, H., Hamilton, J., & Martin, W. (1981). Consumer perceptions of national, private, and generic brands. *Journal of Retailing*, 57(4), 56-70.
- Bhuiyan, S. (1997). Marketing cues and perceived quality: Perceptions of Saudi consumers towards products of the U.S., Japan, Germany, Italy, U.K., and France. *Journal of Quality Management*, 2(2), 217.
- Bitner, M.J. (1990). Evaluating service encounters: The effects of physical surroundings and employee responses. *Journal of Marketing*, 54(2), 69-82.
- Blair, M., & Innis, D. (1996). The effects of product knowledge on the evaluation of warranted brands. *Psychology & Marketing*, 13(5), 445-456.
- Boulding, W., & Kirmani, A. (1993). A consumer-side experimental examination of signaling theory: Do consumers perceive warranties as signals of quality?. *Journal of Consumer Research*, 20(1), 111-123.
- Carman, J.M. (1990). Consumer perceptions of service quality: An assessment of the SERVQUAL dimensions. *Journal of Retailing*, 66(1): 33-55.
- Chan Choi, S., & Coughlan, A. (2006). Private label positioning: Quality versus feature differentiation from the national brand. *Journal of Retailing*, 82(2), 79-93.
- Chu, W., & Chu, W. (1994). Signalling quality by selling through a reputable retailer: An example of renting the reputation of another agent. *Marketing Science*, 13(2), 177-189.

- Corstjens, M., & Lal, R. (2000). Building store loyalty through store brands. *Journal of Marketing Research*, 37(3), 281-291.
- Cox, D. F. (1967). The sorting rule model of the consumer product evaluation process in Risk Taking and Information Handling in Consumer Behavior, D. F. Cox, ed. Boston: Division of Research, Graduate School of Business Administration, Harvard University.
- Cunningham, I., Hardy, A., & Imperia, G. (1982). Generic brands versus national brands and store brands. *Journal of Advertising Research*, 22(5), 25-32.
- Dawar, N., & Parker, P. (1994). Marketing universals: Consumers' use of brand name, price, physical appearance, and retailer reputation as signals of product quality. *Journal of Marketing*, 58(2), 81-95.
- Dhar, S., & Hoch, S. (1997). Why store brand penetration varies by retailer. *Marketing Science*, 16(3), 208-227.
- Dick, A., Chakravarti, D., & Biehal, G. (1990). Memory-based inferences during consumer choice. *Journal of Consumer Research*, 17(1), 82-93.
- Dodds, W., Monroe, K., & Grewal, D. (1991). Effects of price, brand, and store information on buyers' product evaluations. *Journal of Marketing Research*, 28(3), 307-319.
- Dunne, D., & Narasimhan, C. (1999). The new appeal of private labels. *Harvard Business Review*, 77(3), 41-52.
- Forker, L.B. (1991). Quality: American, Japanese, and Soviet perspectives. *Academy of Management Executive*, 5(4), 63-74.
- Gotlieb, J.B., Grewal, D., & Brown, S.W. (1994). Consumer satisfaction and perceived quality: Complementary or divergent constructs?. *Journal of Applied Psychology*, 79(6), 875-885.
- Grewal, D., Krishnan, R., Baker, J., & Borin, N. (1998). The effects of store name, brand name and price discounts on consumers' evaluations and purchase intentions. *Journal of Retailing*, 74(3), 331-352.
- Hassan, D., & Dilhan, S. M., (2006). National Brands and Store Brands: Competition through Public Quality Labels, *Agribusiness*, 22(1), 21-30
- Heiman, A., McWilliams, B., Shen, Z., & Zilberman, D. (2001). Learning and forgetting: Modeling optimal product sampling over time. *Management Science*, 47(4), 532-546.
- Hoch, S. J., & Banerji, S., (1993). When do private labels succeed?, *Sloan Management Review*, 34 (2), 57-67.
- Jacoby, J., Olson, J., & Haddock, R. (1971). Price, brand name, and product composition characteristics as determinants of perceived quality. *Journal of Applied Psychology*, 55(6), 570-579.

- Jain, D., Mahajan, V., & Muller, E. (1995). An approach for determining optimal product sampling for the diffusion of a new product. *Journal of Product Innovation Management*, 12(2), 124-135.
- Kihlstrom, R. E. & Riordan, M. H. (1984). Advertising as a signal. *Journal of Political Economy*, 92 (3), 427-450.
- Kirmani, A. (1990). The effect of perceived advertising costs on brand perceptions. *Journal of Consumer Research*, 17(2), 160-171.
- Kirmani, A., & Wright, P. (1989). Money talks: Perceived advertising expense and expected product quality. *Journal of Consumer Research*, 16(3), 344-353.
- Kumar, Nirmalya, & Steenkamp J. (2007) Private Label Strategy: How to meet the store brand challenge, Boston: Harvard Business School Press.
- Lamey, L., Deleersnyder, B., Dekimpe, M., & Steenkamp, J. (2007). How business cycles contribute to private-label success: Evidence from the United States and Europe. *Journal of Marketing*, 71(1), 1-15.
- Lammers, H. (1991). The effect of free samples on immediate customer purchase. *Journal of Consumer Marketing*, 8(2), 31-37.
- Lee, C., & Cunningham, I. (1984). A comparison of the short-run relative effectiveness of free samples vs. advertising: An experiment on consumers' attitude toward a convenience product. *Current Issues & Research in Advertising*, 7(1), 109-122.
- Omar, O. (1994). Comparative product testing for own-label marketing. *International Journal of Retail & Distribution Management*, 22(2), 12-17.
- Maheswaran, D., Mackie, D., & Chaiken, S. (1992). Brand name as a heuristic cue: The effects of task importance and expectancy confirmation on consumer judgments. *Journal of Consumer Psychology*, 1(4), 317-336.
- Narasimhan, C., & Wilcox, R. (1998). Private labels and the channel relationship: A cross-category analysis. *Journal of Business*, 71(4), 573-600.
- Nelson, P. (1970). Information and consumer behavior. *Journal of Political Economy*, 78(2), 311-329.
- Parasuraman, A., Zeithaml, V.A. & Berry, L.L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1): 35-48.
- Purohit, D., & Srivastava, J. (2001). Effect of manufacturer reputation, retailer reputation, and product warranty on consumer judgments of product quality: A cue diagnosticity framework. *Journal of Consumer Psychology*, 10(3), 123-134.

- Quelch, J., & Harding, D. (1996). Brands versus private labels: Fighting to win. *Harvard Business Review*, 74(1), 99-109.
- Raju, J., Sethuraman, R., & Dhar, S. (1995). The introduction and performance of store brands. *Management Science*, 41(6), 957-978.
- Rao, A., & Monroe, K. (1989). The effect of price, brand name, and store name on buyers' perceptions of product quality: An integrative review. *Journal of Marketing Research*, 26(3), 351-357.
- Richardson, P., Dick, A., & Jain, A. (1994). Extrinsic and intrinsic cue effects on perceptions of store brand quality. *Journal of Marketing*, 58(4), 28-36.
- Rosen, D. (1984). Consumer perceptions of quality for generic grocery products: A comparison across categories. *Journal of Retailing*, 60(4), 64-80.
- Sayman, S., Hoch, S., & Raju, J. (2002). Positioning of store brands. *Marketing Science*, 21(4), 378-397.
- Shannon, R., & Mandhachitara, R., (2005). Private label grocery shopping attitude and behaviour: A cross-cultural study, *Brand Management*, 12(6), 461-474.
- Simonson, I. (1989). Choice based on reasons: The case of attraction and compromise effects. *Journal of Consumer Research*, 16(2), 158-174.
- Sprott, D., & Shimp, T. (2004). Using product sampling to augment the perceived quality of store brands. *Journal of Retailing*, 80(4), 305-315.
- Shimp, T., & Bearden, W. (1982). Warranty and other extrinsic cue effects on consumers' risk perceptions. *Journal of Consumer Research*, 9(1), 38-46.
- Stern, L. (1966). The new world of private brands. *California Management Review*, 8(3), 43-50.
- Szymanski, D., & Busch, P. (1987). Identifying the generics-prone consumer: A meta-analysis. *Journal of Marketing Research*, 24(4), 425-431.
- Tarzijan, J., (2004). Strategic effects of private labels and horizontal integration, *International Review of Retail, Distribution and Consumer Research*, 14(3), 321-335.
- Teas, R.K. (1993). Expectations, performance evaluation, and consumers' perceptions of quality. *Journal of Marketing*, 57(4), 18-34.
- Wolinsky, A. (1983, October). Prices as signals of product quality. *Review of Economic Studies*, 50(163), 647-658.
- Zeithaml, V.A. (1988). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. *Journal of Marketing*, 52(3), 2-22.